

**SPECIAL MEETING
BOARD OF MAYOR AND ALDERMEN**

April 16, 2002

6:00 PM

Mayor Baines called the meeting to order.

Mayor Baines called for the Pledge of Allegiance, this function being led by Alderman Forest.

A moment of silent prayer was observed.

The Clerk called the roll. There were fourteen Aldermen present.

Present: Aldermen Wihby, Gatsas, Guinta, Sysyn, Osborne, Pinard, O'Neil,
Lopez, Shea, DeVries, Garrity, Smith, Thibault, Forest

Mayor Baines advised that the purpose of the special meeting is to receive a presentation by Manchester Place, LLC regarding the Bridge and Elm Street property.

Mr. Jabjiniak stated back in January right after this Board took office this group of developers were here to talk to us about Bridge and Elm Street and the Board voted that evening to give these four individuals the 90-day option to do their due diligence and come back with what they have found and tonight they are actually going to present a little bit of a revised project and they're looking for your conceptual approval of the design and what they're also looking for from the City. They have been working together with City staff including Jay Taylor, Kevin Clougherty, Randy Sherman, Joanne Shaffer and myself among others as necessary...legal counsel included and have all been very helpful during the process. I'd like to introduce the development beginning with Brian Dacey of The Drew Companies in Boston, Christian Silvestri of Silvestri Corporation in Salem, Neil Middleton of Jung Brannen Associates who are the architects on the project, and Tony Marts who is Legal Counsel to the developers.

Mr. Dacey stated we've done a considerable amount of work since the last time we were here over the last 90 days and have taken a look at the project we had proposed to you and as Bill mentioned this is what we had proposed the last time we were here, a high rise project, and after the last 90 days looking at the series of issues...abutters issues, pricing, a marketing study and for a combination of these reasons that came out of this research we decided we really needed to come back with a better alternative and this evening, I think we have that.

Basically, you can see here some of our points as we've looked at this project over the last 90 days and among other things the cost premium and the revenue premium for high rise really just didn't add up, but we did determine we'd be paying a lot more taxes which I think would be good news and would hope would be good news in this room and there were a number of phasing issues that we were also trying to cope with and that was a very big issues to many of you in this room when we were here in January. So, instead what we're now coming back with and for your review tonight is a 200-unit mid-rise building that can be built without a City contribution in a shorter period and all in one phase. As always, parking is an issue and we're going to talk something about that tonight and another issue is the need to remediate some of the soils on the site which basically is just needing to remove some of the soils from the site when the excavation is done. We're very excited about this alternative, we think as I mentioned that it meets a lot of the concerns we heard in this room and we heard from abutters as well. We think for the City there will be a substantial tax revenue coming out of this project of about \$500,000 a year and we also believe with the residents in this apartment complex there will be a lot of potential discretionary spending of about \$4 to \$6 million here in Downtown Manchester. So, with that let me turn it over to Christian Silvestri to make a couple of points and then we'll get into the project and some detail.

Mr. Silvestri stated just real briefly on the mid-rise master planning objective we basically answered and responded to the owners of the ADP building and also Amoskeag Place in reference to the character and scale of the building that you're about to see. With that I am going to introduce Neil Middleton from Jung Brannen Associates to go over the new plan.

Mr. Middleton stated this is a slide of the project as it evolved, this is a site plan...this is Elm Street, Kidder Street and Bridge Street...this is the Fleet building now and this is the ADP building and Amoskeag Place. When we set out to examine the new alternatives for developing on the site there were a number of concerns that we wanted to pay attention to that were raised from discussions with abutters and from our meetings. One of those was shadow, another one that retail be along Elm Street and another one was that the scale of the project adjacent to Amoskeag Place somehow relate to the historic character and be more on a scale in keeping with the surrounding buildings, that was a great concern and there was a concern expressed about traffic. In paying attention to these as we had previously had a building fronting on Elm Street we kept that building that way and we studied the dimensions of the site and a double loaded corridor of residences is about 54 to 60 feet in width and when we look at our site width we want to have at least a 60 to 64 foot wide courtyard, so we developed a horseshoe scheme that wraps around the site with a large courtyard in the middle. There's a 24-foot grade drop from Elm Street down to the bottom of the site and in order to accommodate that we have two levels in our courtyard. We have a higher level here and a lower level here and the building steps its way down the street with terraces. This creates 16 terraced units, 8 on either side and common roof decks for those that don't have terraces on the roof. The corners of the building are etched out along Elm

Street and this is done for several reasons. One, it contributes to public safety. Coming up Kidder Street, turning onto Elm it's quite steep and by cutting the corner back you create a broader, longer view coming to the corner for the right-hand turn. So, you can see if parking is stacking up at the light. There's a turning lane right here that has been taken from the City sidewalk so that the sidewalk today from the property line out to the curb is only about seven feet. We are setting our building back another seven to eight feet from the property line so there is a 14 foot, 15 foot sidewalk where we can then plant street trees and have a gracious sidewalk for the retail uses that will be along Elm Street. Right now, the sidewalks that line up right down Elm Street here do not on this side, this sidewalk is seven feet back for that right-hand turning lane. The garage is now located at the bottom of the site and it's a six or seven story high garage, 309 units. There are 200 units of housing in this scheme and it can be built all at one time. This again is Elm Street, this is the second floor so we're at the second higher terrace level inside in the courtyard. The entry into the housing is underneath the buildings, so of a portico share into the courtyard and a drop off, so you come down the hill and at above elevation 210, 211 right on the curb line you enter into the site and come into a lobby with a front desk, a living room and an office here and then you go to this elevator bank or to this elevator bank and move up and down. The parking at each level of each of the seven levels, the parking can enter on-grade into the housing. So, that's an amenity that allows people to wheel groceries to their units without having to go up and down a great many elevators. The parking entrance is down here and the rest of the site will have landscaped sidewalks and planting area along its edge and we're planning additional street trees, we plan to plant additional street trees along Bridge and along Kidder. This is a slide that shows you the elevation along Elm Street and from this corner to this corner is retail. There's 5,500 square feet of retail, it's about 27 feet deep in depth...we believe that typically that would be a maximum of four different tenants, perhaps two, perhaps three. The nature of the tenants would be something compatible with the residential uses above. Certainly wouldn't be a bar that generated noise, it might be something like a small bookstore, perhaps a small coffee shop...we, at this point, don't really know what the market will bear, but it will be amenable to the use of the building. These are the curved corners...here's one and here's the other. We're using different elements of the elevation to break the massing of the building which is 8-stories high, seven off of Elm to break that massing down to a more historical scale. In the City, along Elm Street, it's very seldom that you have the whole block made up by a single building, that's really the rarity. What we do have is a series of smaller buildings along the block like just across the street there are two. What we have used is Amoskeag brick on building components that stick out two feet further than the stucco behind it and they are broken by a bay of glass, a bay window of glass that sticks out five feet from the brick façade. So, there's a series of layers in the elevation that creates shadow, shadow lines, that define the massings of the buildings and break the form along the block down into more friendly proportions and pieces. There are awnings in each bay that give a more retail flare to the storefronts and give a human scale to the street. As we turn the corner and move down Kidder Street...

Mr. Drew interjected let me just mention...in terms of the character of the apartment complex, it's primarily one and two-bedroom units...there would be a few three-bedrooms and possibly a couple of studies, but primarily one's and two's. The rent range would be about \$1,000 to \$1,200 for a one-bedroom and about \$1,500 to \$1,700 for a two-bedroom. When we looked at the analysis here we looked at the median income from the area around Manchester...the City as well as some of the surrounding towns and that median income was about \$62,000 per household. At these rents, on average, basically about half the population in this area can afford to rent here. These will be still among the highest priced units in the area and that comes with building in an urban location. As Neil mentioned, some of the amenities that are important here...the connection to the garage, being able to get to a unit and an individual's car in the same floor is a real attraction. They'll be views, they'll be balconies...there's a wide variety of curved units on the corners, there's glass units in the middle, we see the curtain wall system there...that will be a bulge out in the units so you'll have some pretty interesting views, you'll have courtyard views...so it should be a very diverse product in terms of the types of units that are in it. Again, this is a hundred percent market rate housing as you would expect with the rents that I just mentioned.

Mr. Middleton stated the height of the building on Elm Street is very compatible with the Fleet Bank building...they're about going to be just about the same thing even though we're one additional floor than the Fleet Bank building and that's that differential we discussed the last time that office floors are 12'8 floor-to-floor and housing floors are 10 feet floor-to-floor, so it's a very compatible scale at the intersection. This is an elevation looking down Kidder Street and here is the entry into the building where you drive under the portico shared to the courtyard and here are the loading docks. There will be two loading dock bays: one for trash compaction and one for trucks and those are deep bays so a 30 foot vehicle could park in the loading bay and we could pull the doors down so that it won't be blocking sidewalk space and trash compaction and everything will be done internally and then only come out at pick-up times. We feel that that is extremely important to the character of a residential street to not be stacking things out on the curb. The same massing concept, the curved corner and then the various brick elements stepping down the street. Now, across the street Amoskeag Place starts right about here across the street and this is a four-story component...Amoskeag Place to the peak of its roof is really only about three, three and a quarter stories to those rooftops but this is a very compatible scale. These units will have large window openings to lighten up the mass of the building but also to give the residents of the units lots of light, lots of air and lots of view because the views from just about every location in this property are going to be amazing. Some of them are very urban and beautiful views looking over the rooftops of Amoskeag, looking across at Amoskeag into their courtyards, it's just a marvelous street. The garage is located here and the entrance is right here and again you can see the street trees that we'll be planting down the street. This is the ADP building so you can get a sense of the scale of this four-story element to the ADP building and even the seven-story garage isn't totally out of scale with this. What we're planning for the garage is to string that with a series of stainless steel thin wires, cables and

we're going to plant ivy that will grow up and in the course of about six years the good deal of the garage will be swallowed in ivy and it will become quite a wonderful landscape element and that will happen on all of the elevations of the garage. I'd like to comment that from an urban design point of view we feel that this is much more compatible than high-rise components, it will generate less traffic by at least a third, it will fit into the historic character by its scale much more gracefully than 20 and 19-story buildings will and it really complete the street and in urban design it's a very favorable thing to complete a street and to not leave a voice with phasing leading to construction and another two or three years worth of disruption of the street in the future. I, personally, although the designer of both the high-rise scheme earlier and this scheme, I feel that this is a much more apt and insertion into the Elm Street and Kidder Street part of the City. Thank you.

Mr. Silvestri stated with that we have a summary, basically we have a \$37 million, \$32 million of which is the building and \$5 million which is the garage. We also have a project completion date of the summer of 2004, if all goes well.

Mr. Dacey stated, as always, in every City including Manchester, parking becomes an issue and here it is as well. What we're proposing is a new approach, we think for the City which is the City finances the garage, but the developer takes all the obligations, all of the operating, maintenance and capital improvement obligations. The City would finance the garage, but the debt service on this garage would be exceeded by the taxes generated by the property. Our estimate that somewhere in the \$80,000 to \$120,000 a year would be the difference between the annual tax revenue and the annual debt service amount and I know that the City officials can talk a little more about that. A key piece of this is the developer would be required to take back the garage at some point, so it wouldn't be a City obligation. We've tried to learn from some of the things we've heard talking to all of you and others about what has happened previously in Manchester with parking garages and tried to come up with a unique but workable concept. Two other points...we're also looking to secure EPA and grant funds for the remediation of some of these soils and in working with Bill and Jay there seems to be some ability to do that and lastly we'd be looking for \$500,000 in the Section 108 loan to help finance the retail space for two reasons: one, the retail doesn't quite pay for itself given the cost of the building this will help; secondly, it helps open the door to some other remediation funds that HUD has and if you have a 108 loan you can then apply for that, so that's that package.

Mr. Jabjiniak stated and I just want to add the Section 108 funds...we do have a \$500,000 capacity currently in our line of credit, the 108 funds are a line of credit with the federal government. The EPA funds and possibly the HUD Groundfields funding are available, we're led to believe we have a good chance to secure those grant funds. The other thing I wanted to mention and he's already touched upon it...this design is having no operating budget impact. We get it built, this is something different, they assume the operation, maintenance and capital costs which I think is a big step in the right direction. In addition,

we've got the garage paying taxes. By leasing it to them it becomes taxable and that's something that's already included in that \$500,000 loan. In regards to the financing for the actual garage itself they actually approached us in the beginning with tax increment financing...after a little discussion with City Finance and the rest of the staff, I think we felt that...the City Finance Director felt that there were other options which he can explain, but bottom line is the taxes certainly exceed any debt service on the property. Oh, and one final thing, this property is generating zero for taxes currently.

Mr. Middleton stated this next slide indicates what we would do as the developer is construct the building, purchase MDC's land, act as the City's developing construction manager for the garage and we would have some kind of agreement on a competitive process to the City's satisfaction. We would also have a license and operating agreement for the garage including all of the obligations previously mentioned and Bill mentioned for the 300-car garage which incidentally would during the daytime have some capacity to take on daytime parking and help the Downtown parking situation and lastly as Bill mentioned the entire complex, the apartment house and the garage because of the way this is structured would be taxable and would pay an estimated \$500,000 a year annually in property taxes. After some of our discussions and as I mentioned we've taken a look at what's been done previously and in talking to the City staff and what their concerns were we tried to come up with what we thought was a review of the old approach and a proposal what we were calling the new approach...let me ask Tony Marts just to review those points with you and then we'll wrap up our presentation and take questions.

Attorney Marts stated as you know from 90 days ago when we were here parking has always been a key consideration and a key problem in Downtown development and certainly has historically been a significant cost to the City. We, as a development team have been meeting at least weekly with the City staff including Kevin Clougherty and Randy Sherman, Tom Clark, Bill Jabjiniak and Jay Taylor to address that issue as one of the key issues is what we had to get through. As all of you know, the old approach to public parking and parking to incentivize developers to build projects, projects like Wall Street Towers and the Center of New Hampshire has been based on this old approach. The City bonds money to build a parking garage, the City owns and operates a garage, the City incurs all of the operating costs to the garage, all of the maintenance costs, all of the capital costs, all of the staffing costs and all of the losses associated with parking. In addition, City garages are not taxable, they're not added to the tax base and they don't generate any significant net revenue to this City and in fact most of you would probably say they generate losses to the City. Additionally, when all is said and done the City has invested capital, incurred losses and it ends up owning a garage that it has no exit strategy for, it doesn't really have an effective ability to sell that garage and recoup either its initial investment or its operation losses. Certainly, the message to this development team from the Aldermen has been don't do that again, we're not going to do that type of project. So, we've been working with the staff in order to come up with a different approach to this particular project and in our proposal the

\$32 million residential units are being built by the developer, the developer is asking the City to bond money to build a parking garage. We estimate that cost today at about \$5 million. In our new scenario, our new approach the City is going to bond money to build a garage, the City is going to own that garage and it's then going to lease or license that to the developer on a turnkey basis. The difference now is that the developer is going to operate the garage, incur all of the operating costs, all of the maintenance costs, all of the capital repairs in the future, all of the staffing costs so that we're not adding to either an operating budget or a capital budget on the City level going forward. The City garage because it is leased to the developer is fully taxable to the developer. It will be added to the tax base and as part of the overall project it will generate up to or initially a half a million dollars in new annual tax revenues to the City. In addition to protecting the City on those costs the developer, in this proposal, is providing the City with an exit strategy relative to its initial investment. The developer will have an incentive to purchase the garage early in order to reimburse the City for its investment and most importantly the City can require the developer to buy the garage in the later years of the project and that way the City's protected both in terms of its capital investment and its operating costs and we think it's such a significant shift in the way that parking garages are built that it really puts us in a unique position for the benefit of the City.

Mr. Silvestri stated this brings us to public benefits. Again, we're going to generate between \$4 and \$6 million in discretionary income in Downtown, approximately \$500,000 a year in increased property taxes and obviously significant increase in Downtown housing which obviously we think that's a great thing for Downtown.

Mr. Dacey stated in terms of what we need to proceed we're looking for conceptual approval from the Board of Mayor and Aldermen regarding this plan and everything from the mid-rise plan to agreeing for us to go forward and finalize a purchase agreement with MDC and conceptual agreement on the City financing of the new garage and also agreement...these last two items in terms of applying for the grant money that we've talked about and all of this subject to the details being negotiated in the next month. What's very important to us and I'm sure to the City as well is about in the next month if you see it to approve this this evening we've got a lot of work to do in the next month and a lot of money to spend on this concept and then we would come back in May with the details of the agreement and filling in some of the blanks as to how various pieces of this work. Why don't we go to the last slide here...just in terms of schedule we're looking at coming back on May 21st and I think Bill wanted to address that point, we'd look to complete the permitting at the end of this year, start construction in the Spring of 2003 and finish construction in the Summer of 2004. One last point before Bill makes his...I just want to thank the City staff for all of their hard work and Jay and Bill and Kevin and Randy and Tom had to commit some real time and effort at the Mayor's direction in this and we really appreciated that and we also appreciate many other City staff people...the Building Department, building inspector and the Fire Department quickly responded to some issues that made an enormous difference in our

ability to come back to you and having worked in a number of cities I would like you to know just how unique that was and how positive that was.

Mr. Jabjiniak stated real quick the letter of intent actually calls for the developer to come back 30 days from today...we're suggesting that they come back to your next regular scheduled Board meeting which would be the 21st, which is an extra five days and hopefully you would concur with that and the other item I wanted to point out is the developer has to return, at that same time, with a purchase price. The letter of intent calls for something by May 1st...we're just going to roll it right into the actual Purchase and Sales Agreement and as most of you know since they own the parcel Manchester Development Corporation is your non-profit developer on it and Rick Fradette is here to speak to a few of their issues.

Attorney Fradette stated thank you, Bill, very briefly...about half of the MDC Board is here. President Pinard was here but he had a personal obligation and had to leave about 6:20 or so...the MDC would like to encourage you to endorse this concept. The benefits are that the MDC Board believes that the revised proposal is an excellent use of the parcel...you know that the parcel has been vacant for a long time, the project ties in well with the efforts presently underway for this City to revitalize the Downtown, it will bring approximately 200 households or families into the area really creating almost an independent little neighborhood...it fits well into the character of the neighborhood and instead of it being phased it's being built all at once as opposed to one tower and then the risk of not having the second, it's a single development. We met last Friday, the MDC did, the MDC Board and unanimously approved this new concept encouraging the developer and wish to encourage you as well to allow this process to go forward and over the next thirty days hopefully culminate in a Purchase and Sales Agreement. Thank you.

Mayor Baines stated to make a couple of comments before I turn it over to members of the Board, I also want to commend staff that has worked very hard on this project. As you all know, we all rolled up our sleeves to try to find a way to get this project off the ground to address, obviously, a long-term need, almost 12 years with a vacant parcel of land and also address the housing issue and come up with some creative ways of financing to ensure that we could have a viable project to move forward with. We are very excited about this and we urge the Board to endorse this concept so we can move forward and get this agreement made so we can begin construction on this project that I believe will also be a catalyst for additional development in the Downtown area. It's going to help us expand our tax base which is very critical...I think as we've seen during this budget process, we have to get projects off the ground to contribute to our tax base and to allow us to provide vital services to our community.

Alderman Thibault stated Alderman Sysyn and myself who sit on the MDC Board would certainly like to ask the Board to go along with this and we certainly would have to thank the rest of the MDC Board and the staff, your Honor, like you say for the diligent work that they

done on getting this developer to this phase so that this Board can, in fact, go onto a project that it's not going to affect the City's tax rate and as you say certainly increase our tax base in the City, so I would like to thank the people of MDC that have worked so hard on this.

Alderman Sysyn stated I'm very favorable.

Alderman Wihby stated, Bill, the Section 108 \$5000,000...can you just explain that; that is something that we get from the federal government that we can spend for what?

Mr. Jabjiniak replied it's intended for job creation, the retail portion of this project is intended to obviously create jobs, we originally received the \$5 million line of credit, it has been instrumental in the Chase, Bond and Dunlap buildings right up the street and they have asked for \$500,000 of the \$548,000 that remains. It's a line of credit...

Alderman Wihby asked what did we get first, a million?

Mr. Jabjiniak replied we have a \$5 million line of credit.

Alderman Wihby stated the only other project we used it for was...what have we used it for before, this type of stuff?

Mr. Jabjiniak replied the three renovation projects on Elm Street...the Chase Building, the Bond Building and the Dunlap Building.

Alderman Wihby stated so it's basically the same stuff as this. Second question...where I don't get the numbers is someone said earlier that you're going to generate about \$80,000 or \$100,000 over the taxes. If we're only putting in \$5 million for a garage...the debt service on \$5 million can't be \$400,000 a year.

Mr. Dacey stated I can tell you how I arrived at the comparison but I think you want the City officials view of those numbers...basically, it would be a taxable bond, not a non-taxable bond, so it's carrying a higher premium.

Alderman Wihby stated our debt service on the bond is going to be roughly \$400,000 a year.

Mr. Dacey replied yes.

Mayor Baines called upon Mr. Clougherty.

Mr. Clougherty stated the financial advisor did do a couple of different runs for them and came back in that range.

Alderman Wihby in reference to the leasing of the garage for the spaces that are there during the day asked there are going to be some spaces that are going to be able to be leased monthly.

Mr. Dacey replied yes.

Alderman Wihby asked who gets that money?

Mr. Dacey replied the way this structure is set up the revenue comes to us because we're doing the capital improvements, the operating, etc...then at a certain point and this is the formula that we have to work out in the next month...at a certain point the City and the developer would then begin revenue sharing and in fact in our numbers that we presented we haven't even talked about that, but that will be an additional revenue opportunity for the City.

Alderman Wihby asked why wouldn't we just keep the money and do the maintenance?

Mr. Dacey stated I'm sorry.

Alderman Wihby asked why wouldn't the City just build a garage, lease it out, and do the maintenance ourselves?

Mr. Dacey replied for us to get this project financed it's important that we control those spaces, that the development control those spaces and they move with what's happening in the complex. To compete with suburban options which is really what we're all doing here there's got to be that kind of availability of parking and it needs to be tied to the units. It was this consideration that led us to this formula that you've seen us layout here where the City is getting more in tax revenues plus the revenue sharing maybe getting down the road and we're taking some other obligations and then we're also obligated to take it back at some point.

Alderman Wihby stated we're getting a lot of tax money for this and if you want to use \$500,000 worth of taxes that's fine, but we're putting back \$400,000. So, we're really gaining 200 units but we're only making \$100,000 taxable, is that true?

Mr. Dacey replied no, not really. You're spending \$400,000 roughly a year and you're getting back \$500,000 and then we took a look and if you've got a two percent growth in the tax rate over the next 20 years you'd end up with substantial amount more beyond that initial difference in the first couple of years...something in the order of...probably averages out to \$125,000 to \$150,000 a year.

Alderman Wihby stated substantial to me doesn't mean that we have a big building and we don't get money for it because we're paying for a parking garage. Are you setting money aside to do the maintenance?

Mr. Dacey replied yes.

Alderman Wihby stated so that's an agreement you'd have that so much...

Mr. Dacey stated it will be part of our obligation under the agreement...we'll have certain thresholds that we'll have to pass...

Alderman Wihby asked why do you think you can get \$1,700 a month for a two-bedroom?

Mr. Dacey replied because we've studied the market quite carefully and if we didn't believe that we wouldn't be sitting here today.

Alderman Wihby asked how about you paying for the land?

Mr. Dacey replied that price is still to be negotiated with MDC.

Alderman Wihby stated so you don't have any numbers...

Mr. Dacey stated that is part of what we have to do in the next month.

Alderman Wihby asked so would that bring the cost...whatever you pay for the land...is that bringing the cost to the garage down or did you include some number in your figures? Did you include anything that you're paying for the land?

Mr. Dacey replied we...on our side of the table, we've estimated a price that's correct, but we have no agreement with the City at this point, so we made certain assumptions but we'll just have to see...a bunch of these assumptions are going to change over the next month. This is still a fairly dynamic process in terms of the give and take.

Alderman Wihby stated they're looking for...our we committing ourselves for anything, I guess I want to ask Tom Clark, a letter of intent we're saying that if everything comes through the way it is that we're willing to sign off on this, is that what we're saying or we can change our mind in a month or what?

Solicitor Clark replied all you're doing tonight is if you take a positive vote would be to give a conceptual approval to the design and to the general idea of this framework subject to a purchase and sale being negotiated between the City, MDC, and the developer. When that comes back to this Board on May 21st this Board still has the opportunity to say no.

Alderman Guinta asked can you clarify for me the property tax figures for the building versus the parking deck, do you have those estimates?

Mr. Dacey replied we've had a couple of meetings with the Assessors and basically it gets taxed as one economic entity because a lot of the revenue is generated between the apartment complex and the garage and from our discussions with the Assessors talking about the values, talking about the income approach, the information we got from the Assessors...this seems to be a reasonable approximation and the Assessor's agreed with that.

Alderman Guinta stated so the total building and garage is estimated at \$500,000 in property taxes. How quickly would you expect to fill the building?

Mr. Dacey replied fill it with tenants...about a one year lease up...it would take about 12 months to fully occupy the building.

Alderman Guinta stated after completion.

Mr. Dacey replied yes.

Alderman Guinta asked would there be a process while you're in construction to try to put as many people in the building as possible?

Mr. Dacey stated the day it opens.

Alderman Guinta stated yes.

Mr. Dacey stated absolutely. We're expecting we can do it a little faster than that, but for financial reasons and through our market study and in looking at comparisons around the area that seems to be a reasonable estimate.

Alderman Pinard moved to approve the concept of the project. Alderman Sysyn duly seconded the motion.

Alderman DeVries stated the retail space that you've indicated the Section 108 funds would be for of approximately 5,000 square feet or did we misinterpret that.

Mr. Dacey replied it's about 5,500 square feet.

Alderman DeVries asked is that planned to be...I think I heard during the discussion that that is possibly to be a bookstore or something like that.

Mr. Dacey replied it would be something that is compatible with the apartment complex that's there. We certainly wouldn't want a bar, a fast food restaurant...I think the kinds of uses that we'd like to see there would be a bookstore, a coffee shop, travel agency...those kinds of uses.

Alderman DeVries stated that is still a fairly significant subsidy for 5,500, is there a particular...I'm not saying I understand commercial space and how much of square foot, but that seems like a lot of money for that amount. Do you have any idea since this Section 108 is tied to jobs, how many jobs might be produced or created?

Mr. Dacey replied I can't give you the ratio, I know they do have a ratio and I'm sure Bill could do that...in terms of why that amount of money...basically, what 108 offers is a slightly more attractive interest rate on that space and at 5,000 feet where it's probably costing us over \$100 a foot to build out the complex overall...that's pretty expensive space just for retail rents here in the City which tend to run in the...on this end of town in the \$10 to \$12 a square foot range.

Alderman DeVries stated you talked about the exit strategy on the garage and said it would be out several years could you elaborate on the exit strategy.

Mr. Dacey replied in terms of timing it's one of the issues we've still got to negotiate, it is likely to be at the end of whatever the initial term of financing is...the City has also talked about it being at the end of the bond period, we've also talked about creating calls along the way where it could happen sooner which I think is the City's interest, so those are the kinds of range of issues we're negotiating with the City.

Alderman DeVries stated so basically we will have to wait for another 35 days to hear more detail on that.

Mr. Dacey replied yes because we haven't settled in on it.

Mayor Baines asked the Clerk to clarify the motion.

Deputy Clerk Johnson stated the motion would be that the Board provides conceptual approval of the project and authorize staff to negotiate a Purchase and Sales Agreement to be presented to the Board on May 21, 2002.

Mayor Baines noted that the motion as stated by the Clerk was made by Alderman Pinard, duly seconded by Alderman Sysyn.

Alderman Lopez stated I'm more interested in the bonding of the garage and debt service and everything. With everything else the priorities that we've established along with the

other projects we've got at hand, so could you maybe in a short period of time...how the bonding of a \$5 million garage is in comparison to the debt service.

Mr. Clougherty stated as the developer has stated the debt service would be less than the amount you'd be taking in taxes. Over time, your debt service would be declining and hopefully taxes would be increasing so that you go from a tax neutral at worse to a tax positive situation over time. There are a variety of different ways that we could finance our responsibilities under this project...one, of course, would be bonding. If we went a bonding route it would have to compete with all of the other items that we deal with on a regular basis. But, on the other side, it doesn't have a tax impact and it does help to raise the valuation which is part of the goal of what you're trying to do with your debt program too. So, it has some things that it brings to the table in some other projects that we generally see for public purposes don't bring to the table.

Alderman Lopez stated my follow-up question, I think Attorney Fradette...for all intents and purposes if this company, down the road, should go bankrupt where would that leave our garage.

Attorney Fradette replied with all due respect I'm not prepared to respond to that. I think that maybe Tom Clark from the City.

Solicitor Clark stated that's all items that will be negotiated when we develop a P & S and the agreements that develop for the maintenance of the garage and for the operation of the garage. Those details have not been negotiated at all yet.

Alderman Gatsas stated, Kevin, you made a statement of revenue tax neutral. Can you explain to me what you just said because that's not what we heard during the presentation, so maybe...did you misspeak or do you have something else to say?

Mr. Clougherty replied I didn't misspeak what I said was that the proposal and it's again preliminary at this point would generate in property taxes more than what the debt service cost would be. So, even if rates were to change and I was trying to be conservative there, it would be tax neutral. It's probably going to be, if these rates stay the same, tax positive. The further point I was trying to make was even if it started where the debt service was the same as the property taxes you're debt service is going to go down, but your property taxes will go up and you'll get more over time, so I think there's an opportunity to explore some things with this project.

Alderman Gatsas asked what is the term of the taxable bonds?

Mr. Clougherty replied we've taken a look at a number of different ones, Alderman. We haven't settled on anything specifically right now, we've done a couple of different ones. The one that I believe they're basing their presentation tonight was on 20 years.

Alderman Gatsas stated the implication of bonding because I think Alderman O'Neil and I have talked about this several times about garages being built in the Millyard because of the parking that we need and I understood you to say that even though it was a taxable bond issue, it still would have implication on our bonding capacities.

Mr. Clougherty stated that's right.

Alderman Gatsas asked how will that affect our bonding capacities?

Mayor Baines asked the bonding capacity or the bonding limits?

Mr. Clougherty stated I think that you have, over time, a positive effect on your capacity because it brings new valuation into the picture that we don't have now and that you're not paying additional taxes for because having additional costs because it's offset by the taxes.

Alderman Gatsas stated because we don't control it and because there is no guarantee on the repayment that still has to be looked at by bond counsel.

Mr. Clougherty stated absolutely.

Alderman Gatsas stated we must protect the City, there has to be something in that Purchase and Sales Agreement either a insurance policy or personal guarantees on the garage should there be default because other than that the City is at risk.

Mr. Clougherty stated I think as the developers have said there is a lot of detail work that has to go forward as part of this Purchase and Sales and certainly protecting the City's interests as you've outlined is something that we're always concerned about and that would be part of our due diligence.

Alderman Shea stated many of the questions asked I felt the same about. The only thing is if we want to develop the Downtown and the only way you develop the Downtown is by putting people in the Downtown. My wife said that 12 years ago and when John Mongan came to our house he said that's the way you develop the Downtown by putting people there, it's a no brainer people, we've got to develop our economic development and that's the way you do it by having developers come in helping to develop the Downtown. I wasn't in favor of one project because I couldn't see the value of it, but this one is a very positive type of economic development and we should support this because even though we're not reaping everything we're getting something back and we're going to provide the Downtown people

with people to be part of the Downtown and then developments comes in and people...if \$4 to \$6 million in discretionary funds are to be spent then we should encourage these people to move Downtown because many people are moving to the outskirts of Manchester where they should be living in the inside of Manchester, so I'm all in favor of this, your Honor, and I think we should all be.

Mayor Baines stated I appreciate your comments and Bill Jabjiniak would echo that because we spent a lot of time talking especially to people in the retail environment about coming Downtown and that's what we keep hearing. Once you have the people down here and it's a seven-day City that's when it will encourage more economic development.

Alderman Guinta asked do you have an idea of the established bond rate for the residential portion of the project, the borrowing rate?

Mr. Dacey replied the borrowing rate on the residential, at this point, no. We've got a range of possibilities of...it depends on what type of financing we engage in. We've had several or numerous discussions with potential lenders but I couldn't tell you right now exactly what that is.

Alderman Guinta asked what's the top number, the high number, is it under ten?

Mr. Dacey replied to finance this project during this period yes it should be under ten.

Alderman Guinta stated I guess I have a question for either your Honor or Kevin. According to State Statute when does the City of Manchester have to be reevaluated?

Mr. Clougherty replied it's changed recently, Alderman.

Alderman Guinta stated it's changed to '04 hasn't it.

Mr. Clougherty replied I believe that's the date. Steve Tellier is in the back there and I'd defer to him, he's working with the State on that right now.

Mr. Tellier asked could you repeat the question, please?

Alderman Guinta asked according to State Statutes when does the City of Manchester have to be reevaluated?

Mr. Tellier replied the Constitution and State Statutes said every five years, the Department of Revenue Administration has determined that in 2004 we're supposed to go through our certification process. In other words, we're supposed to have new values on the books for '04.

Alderman Guinta stated so we would have to have the completion of it before this project is completed or...

Mr. Tellier replied this could be part of it...city-wide '04 is when we're supposed to recertify all new values for this municipality.

Alderman Guinta stated so if completion of this project is scheduled for the summer of '04...

Mr. Tellier stated for assessment purposes the effective date of taxation is April 1st, so we would have to look at what level of completion it is at that point as to a value for that tax year '04.

Mayor Baines recessed the meeting to allow the Public Participation session to be called to order.

Mayor Baines called the meeting back to order.

Alderman Garrity asked are we voting for the \$5 million in bonding or is that with the Purchase and Sales Agreement?

Solicitor Clark stated this vote tonight is strictly conceptual approval, everything would have to come back to this Board for a final vote and the Board's not bound to do anything at this point.

Mayor Baines stated so basically the staff would be trying to work out all of the details and then all the details would come back for the Board for consideration.

Alderman Thibault stated my question is for Tom Clark also. Tom, if in fact all of this comes to play and we get there the fact that the City is going to own the garage doesn't that give us some type of guarantee there that that we will have something even in a bankrupt proceeding, well, we own the garage.

Solicitor Clark stated we'll own the garage, yes, so you'll have an asset but those will all be details that will be worked out in the Operating Agreement when we develop guarantees for the City.

Alderman Thibault stated I guess what I'm looking for is if we own the garage we do have an asset.

Alderman Smith asked could we move on the question. Alderman Shea duly seconded to move the question.

Alderman O'Neil stated for clarification, your Honor. All we're being asked tonight is to instruct staff to develop a Purchase and Sales Agreement, to report back to us by May 21st in accordance with the developer's presentation tonight, is that correct?

Mayor Baines replied that is correct. The question has now been moved and the Clerk will now read the question.

Deputy Clerk Johnson stated that the Board provide conceptual approval of the project and authorize staff to negotiate a purchase and sales agreement to be presented to the Board on May 21, 2002.

Mayor Baines called for a vote on the motion. The motion carried with Alderman Gatsas duly recorded as abstaining.

This being a special meeting, no further business was presented and on motion of Alderman Sysyn, duly seconded by Alderman Garrity, it was voted to adjourn.

A True Record. Attest.

City Clerk